

PRESS RELEASE

5th ANNUAL CONFERENCE OF THE REGIONAL ELECTRICITY REGULATORS ASSOCIATION OF SOUTHERN AFRICA, ARUSHA, TANZANIA, 12 – 13 NOVEMBER 2008

The Regional Electricity Regulators Association of Southern Africa (RERA) held its Fifth (5th) Annual Conference at the Arusha International Conference Centre (AICC) in Arusha, Tanzania from 12 – 13 November 2008, on the theme:

“Regulatory Challenges in harnessing Africa’s Energy Potential for Sustainable Power Supply”.

The Conference hosted by the Energy and Water Utilities Regulatory Authority (EWURA) of Tanzania, benefited from the generous and kind sponsorships of:

- i) Artumas Energy (Tanzania) Limited
- ii) Songas of Tanzania
- iii) BHP Billiton Southern Africa in South Africa
- iv) Tanesco of Tanzania
- v) Tanga Cement of Tanzania

- vi) CORE International of USA
- vii) Rural Electrification Agency (REA) of Tanzania
- viii) USAID/Southern Africa in South Africa
- ix) Southern Africa Global Competitiveness Hub in Botswana

The Conference was officially opened by the Honourable Prime Minister of the United Republic of Tanzania, Mizenga K. P. Pinda. The Honourable Prime Minister stated that the Conference was being held at a time of great global demand as well as serious supply shortage of electricity. He pointed out that regional cooperation, integration and pooling in the energy sector was crucial to harnessing the vast energy potential in Sub-Sahara Africa. The Honourable Prime Minister recognized the importance of the Regional Electricity Regulation Association of Southern Africa (RERA) and its member national regulatory authorities, and specifically called upon RERA to:

- i) Undertake regulatory studies that are responsive to the challenges in the region and disseminate the results to the stakeholders;
- ii) Document best practices in the energy sector;
- iii) Facilitate the sharing of information and experiences;
- iv) Harmonise and document the regulatory tools in regional blocs; and
- v) Promote intra-border electricity trading.

In his remarks, the Honourable William Mganga Ngeleja, Minister for Energy and Minerals, reaffirmed the commitment of the Government of the United Republic of Tanzania to see the success of RERA and noted that “pulling together is easier than pulling alone”.

The cooperating partners, namely, Sweden (Sida), Norway (Ministry of Foreign Affairs) and USA (USAID) stressed the fruitful cooperation with RERA and expressed their commitments to continue working with the Association in addressing the regulatory challenges pertaining to the regional energy sector.

Mr. Silvester H. Hibajene, Chairperson of RERA informed the Conference that RERA has the following eight (8) members:

- i) Electricity Control Board of Namibia (ECB)
- ii) Energy Regulation Board of Zambia (ERB)
- iii) Energy and Water Utilities Regulatory Authority of Tanzania (EWURA)
- iv) Institute for Electricity Sector Regulation of Angola (IRSE)
- v) Lesotho Electricity Authority (LEA)
- vi) Malawi Energy Regulatory Authority (MERA)
- vii) National Energy Regulator of South Africa (NERSA)
- viii) Zimbabwe Electricity Regulatory Authority (ZERC)

He also informed the Conference that the National Electricity Advisory Council of Mozambique (CNELEC) will be officially admitted as the ninth (9th) Member of RERA at the Annual General Meeting on 14th November 2008. The Office for Electricity Sector Regulation (ORE) of Madagascar is

also expected to join RERA as a Member in 2009. Therefore by 2009, there shall be ten (10) Members of RERA out of the fourteen (14) SADC Member States.

Mr. Hibajene also outlined the following broad priority focus areas of RERA in the short to medium terms:

1. Improving the regional investment climate in the power sector;
2. Developing an enabling regulatory environment for access to and operation of a viable regional electricity market; and
3. Enhancing the capacity, image, credibility and performance of RERA.

The Chairperson of EWURA, Mr. Simon Sayore, expressed his thanks to RERA for entrusting the task of hosting the Conference to EWURA and indicated EWURA's willingness to contribute to such events in future wherever they may be held.

The Conference brought together about one hundred and twenty (120) participants from regulatory agencies, government ministries/departments, power utilities, investment banks, consulting companies, international cooperating partners and other stakeholders from the following fifteen (15) countries:

1. Tanzania
2. Nigeria
3. South Africa
4. Madagascar
5. USA

6. Zambia
7. Norway
8. Namibia
9. Kenya
10. Botswana
11. Mozambique
12. Uganda
13. Malawi
14. Lesotho
15. Zimbabwe

The forum provided a unique opportunity for stakeholders in the SADC region to network and exchange information on the following pertinent electricity issues, among others:

- a) Regional Power demand & Supply;
- b) Creation of a conducive environment for investment in the SADC electricity supply industry;
- c) Electricity tariff principles and implementation challenges;
- d) Electricity market developments and integration; and
- e) Policy, governance and capacity building Issues for the energy sector.

A total of twenty four (24) presentations were made during the course of seven (7) plenary sessions and delivered by twenty (20) regional and international speakers.

The Conference deliberations highlighted the following:

- The Southern African Power Pool (SAPP) regional power system has an installed capacity of about 54,762MW of which about 45,265MW was available as at April 2008. Over 9,000MW was unavailable for various reasons. According to projections by the Southern African Power Pool (SAPP), power deficits in the SADC region would persist until 2012, during which time projects aimed at providing additional power to the region amounting to about 6,550 Mega Watts (MW) shall be implemented and commissioned at an estimated cost of about US\$5 billion.
- Countries were urged to look into the following issues to address the diminishing generation surplus capacity:
 - i) implementation of power conservation programmes (PCP) including demand side management (DSM);
 - ii) development of policies to ensure efficient use of the available electrical energy;
 - iii) exploitation of the vast hydropower potential;
 - iv) development of merchant power;
 - v) development of Virtual Power Stations;

- vi) attraction of Independent Power Producers (IPPs) by developing the requisite implementable frameworks;
 - vii) innovative and expeditious procurement processes for new electricity generation capacity; and
 - viii) Model Power Purchase Agreements (PPAs) and benchmarking of the same.
- The requisite frameworks relating to, among others, regulatory institutional arrangements, harmonised regulatory practices for the region; and most importantly harmonised and cost reflective regional tariff regime need to be developed and/or implemented to ensure that an enabling environment for investments in the power sector. The Conference looked forward to the outcome of survey on policy, regulatory and institutional arrangements covering all the Member States being supported by the Southern African Global Competitive Hub (with funding from USAID) which will culminate into an analysis of the power sector governance and advice on measures to attract investments.
 - Electricity tariffs should cover all the prudent costs and provide the right signals for:
 - New investments
 - Energy conservation, efficiency and substitution practices

Power utilities in countries that had not submitted information on tariffs were urged to do so at the earliest opportunity to enable RERA publish a regional comparative tariff analysis that will be supported by the Southern African Global Competitive Hub with funding from the USAID.

- Renewable energy can make a substantial contribution to the grid electricity supply but this requires a paradigm shift and political commitment. Consideration should also be given to light-handed regulation of renewable energy, especially the off-grids systems.
- The power crisis needs urgent and innovative ways of expediting the implementation of priority SAPP regional projects. The Conference looked forward to development of Cross Border Financing Models for Regional Power Projects in the SADC region by Utho Capital (Pty) of South Africa with the support of the Development Bank of Southern Africa (DBSA).
- Good power sector policies and governance are crucial to attracting investments. The Conference welcomed the Electricity Governance Initiative (EGI) Project being implemented in South Africa by the World resource Institute (WRI) and the guidelines on the potential role of regulators in the electricity exports and imports to be developed under a Project being supported by the World Bank.
- Stakeholders in the energy sector need to cultivate a harmonious relationship based on clearly defined roles, mandates,

responsibilities and compacts, where applicable. Regulators need to be proactive in this regard.

- South Africa, with the support of the region, is putting in place measures to ensure that sufficient power capacity is available for the 2010 World Cup.
- There are serious challenges in human capital to support energy research & development (R&D) and the implementation of the envisaged infrastructure projects in South Africa (including electricity) in South Africa and by extension to the rest of the SADC region. The Conference noted the commendable initiatives of the South African National Energy Research Institute (SANERI) to address the skills gap in energy R&D in South Africa and the noble intention to forge strategic partnerships within the SADC countries.

The Conference noted the various regional initiatives by RERA, SAPP and other stakeholders that are either under consideration or being implemented and looked forward to the outputs being disseminated at the next Annual Conference.

When closing the Conference, Honourable Professor Mark Mwandosya, Minister for Water and Irrigation in the United Republic of Tanzania, challenged RERA to start working on opportunities, challenges and other implications in the power sector development that will be created by the proposed merger of SADC, East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA) in a speech read on his behalf by the Permanent Secretary in the Ministry, Mr. Patrick

Rutabanzibwa. The Conference was against the background of the recent suggestion by President Jakaya Kikwete of Tanzania, as Chairperson of the African Union (AU), that SADC, EAC and COMESA should form one regional economic bloc.

Honourable Professor Mwandosya also encouraged RERA Members to advise regional policy makers on how best to regulate the use of the region's water resources for hydropower generation on the grounds that their use had already started generating not only relatively cheap power but also tensions because of adverse environmental effects across national borders.

At the closure of the Conference, participants indicated their appreciation to the People and Government of the United Republic of Tanzania for providing a hospitable and conducive environment which led to the success of the Conference. The participants also expressed their profound gratitude to the Board of Directors, the Director General, Management and the Staff of EWURA for the excellent arrangements in hosting this Conference.

Arusha International Conference Centre (AICC), Arusha, Tanzania
13 November 2008